

## **AUDIT SUMMARY**

Our audit of the Department of Historic Resources for the two years ended June 30, 1998, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in the internal control structure; and
- no instances of noncompliance that are required to be reported.

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AGENCY OFFICIALS

April 30, 1999

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Richard J. Holland  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Historic Resources** for the two years ended June 30, 1998. We conducted our audit in accordance with generally accepted government auditing standards.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to review the Department's adequacy of the internal control structure, compliance with applicable laws and regulations, and accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations over the following significant cycles, classes of transactions, or account balances:

Revenues  
Expenditures

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's policies and procedures were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or an overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

### Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial data presented in the “Agency Information and Financial Highlights” section of our report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving the internal control structure and its operation that we considered to be material weaknesses. Our consideration of the internal control structure and its operation would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial information being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

AUDITOR OF PUBLIC ACCOUNTS

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## AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

The Department of Historic Resources encourages and supports the identification, evaluation, protection, preservation, and rehabilitation of significant historic, architectural, archaeological, and cultural resources. Further, the Department establishes and maintains a permanent record of those resources. The Department determines the eligibility of sites for Virginia Landmarks Register recognition and for nomination to the National Register of Historic Places. The Department also administers historic preservation programs and serves as the State Historic Preservation Office. The Governor appoints Board of Historic Resources members and the Department's director.

Working with local governments, private preservation organizations, and individuals, the Department carries out a variety of programs that encourage the preservation of Virginia's historic resources. Significant preservation programs include the Cost Share Program, the Threatened Sites Program, and the Historical Highway Markers Program.

### Cost Share Program

The Cost Share Program produces a cultural resource database for use by local governments in their comprehensive plans, for nominations to the National Register, and it becomes part of the Department's statewide historic resource database. Annually, localities submit projects to the Department for consideration for participation in this program. Staff conduct surveys for approved projects in order to identify and document properties that are significant historical resources. In fiscal year 1998, the Department spent approximately \$224,000 administering the program.

### Threatened Sites Program

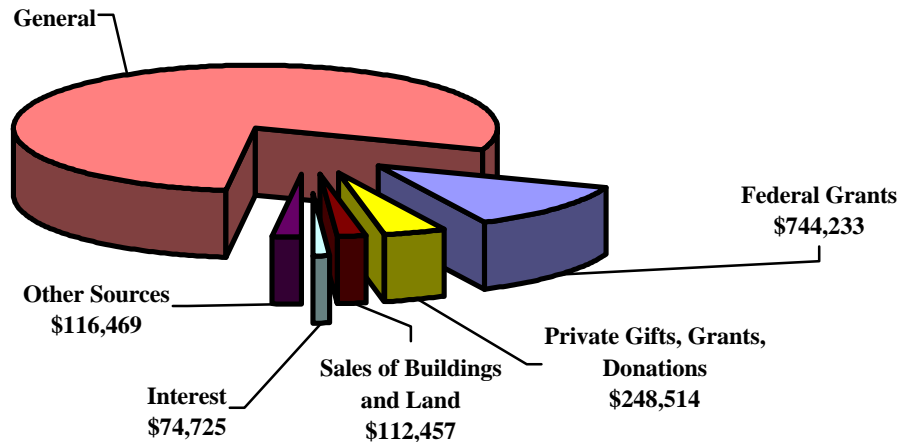
The Threatened Sites Program provides funds for sites of statewide significance under threat of destruction and have no other sources of funding available for their preservation. Working with the Threatened Sites Committee, composed of members of the archaeological community, the Department evaluates potential eligible sites and uses funds for assessment, excavation, laboratory processing and analysis, and reporting. Whenever possible, the Department makes an effort to preserve sites. When preservation is not possible, the Department focuses on gathering information about the sites before the loss. In fiscal year 1998, the Department spent approximately \$39,500 on this program.

### Historical Highway Markers Program

The Historical Highway Marker Program erects new highway markers and replaces old markers. Highway markers carry approved historical inscriptions, commemorating sites, individuals, buildings, and events of statewide or national interest. The Board of Historic Resources approves the inscriptions on the markers. Federal and local governments, private organizations, and individuals fund the cost of each marker. In fiscal year 1998, the Department spent approximately \$71,000 for this program.

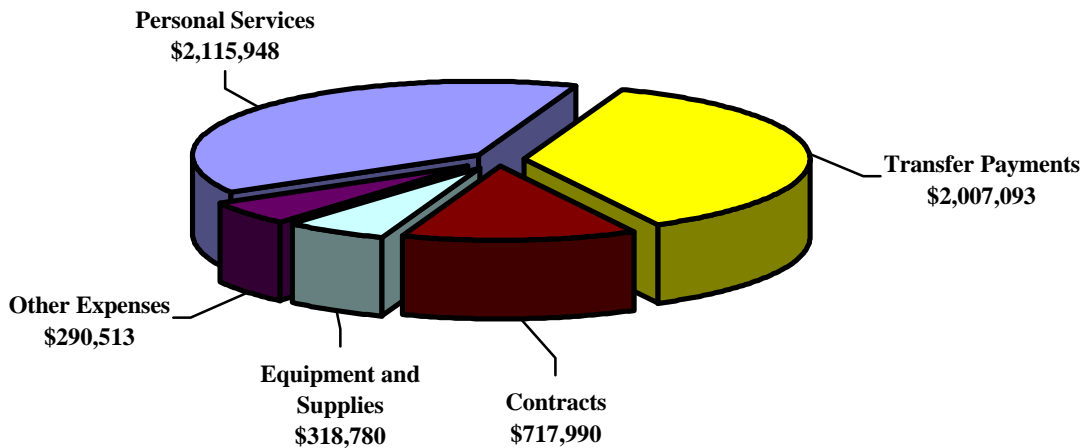
### General Information

In fiscal year 1998, the Department received general funds of \$4,737,824 and revenue from other various sources totaling \$1,291,902. The following chart shows a breakdown of these revenues by source.



Other sources include revenue from sales of publications, royalties from publication sales, services and copy machine fees.

In fiscal year 1998, the Department spent \$5,450,324. The following chart shows the breakdown of expenses by category.



Transfer payments represent those funds appropriated to the Department for transfer to other organizations. Other expenses include rental of office space and copiers.

DEPARTMENT OF HISTORIC RESOURCES  
Richmond, Virginia

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